

## **50 – State Comparison of Manufacturing Equipment Incentives**

### ***OVERVIEW***

*Of the 50 states, 38 states exempt manufacturing equipment purchases from tax (33 have full exemptions, and 5 do not levy a tax), 5 states partially exempt such purchases (including California), 2 states provide a tax credit, and 5 states do not provide any incentive.*

*More specifically, 15 states provide a full exemption, plus a credit; 4 states provide a partial exemption, plus a credit.*

#### **33 states provide a full sales/use tax exemption**

Arizona, Arkansas, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, and Wisconsin

Highest full sales/use tax exemption rate: 7% (Rhode Island)

Lowest full sales/use tax exemption rate: 3% (Colorado)

#### **6 states provide a partial sales/use tax exemption**

Alabama, California, Connecticut, Minnesota, Mississippi, and North Carolina

Highest partial sales/use tax exemption rate: 5.5% (Mississippi)

Lowest partial sales/use tax exemption rate: 2.5% (Alabama)

#### **21 states provide an income/excise tax credit**

Alabama, California, Colorado, Connecticut, Georgia, Hawaii, Idaho, Illinois, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Wisconsin

Highest income tax credit: 20% (Ohio)

Lowest income tax credit: 1% (Colorado, Maine, Oklahoma, and Tennessee)

#### **5 states do not levy a sales/use tax**

Alaska, Delaware, Montana, New Hampshire, and Oregon

#### **4 states do not levy a corporate income or franchise tax**

Nevada, Texas, Washington, and Wyoming

#### **5 states do not provide any tax incentives for manufacturing equipment purchases**

Louisiana, Nebraska, Nevada, South Dakota, and Wyoming

## **50 – State Comparison of Manufacturing Equipment Incentives**

## ***SUMMARY OF INCENTIVES BY STATE***

### **ALABAMA**

Partially exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Partial sales/use tax exemption (tax rate is lowered to 1.5% from the regular rate of 4%); 5% income tax credit

PROPERTY COVERED: Partial exemption - Machinery and equipment used directly and exclusively in manufacturing, assembling, compounding, and processing; Credit - real and personal property in a project predominantly engaged in an industrial, warehousing, or research activity

CITATION(S): Partial exemption - Ala. Code 43-23-37; Credit - Ala. Uncodified Leg., Act 187, Laws 1995

### **ALASKA**

Fully exempts manufacturing machinery (because no tax is levied).

INCENTIVE(S): None; but no sales or use tax is levied

PROPERTY COVERED: N/A

CITATION(S): N/A

### **ARIZONA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 5%)

PROPERTY COVERED: Machinery and equipment used directly in manufacturing, processing, fabricating, and refining tangible personal property; it also applies to repair and replacement parts

CITATION(S): Ariz. Rev. Stat. Ann. 42-1310.02

### **ARKANSAS**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 4.5%)

PROPERTY COVERED: Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, and processing articles of commerce; it must be used in providing new or expanded productive capacity

CITATION(S): Ark. Stat. Ann. 26-52-402

## **CALIFORNIA**

Partially exempts manufacturing machinery (limited to “start-up companies”) (but gives a credit).

INCENTIVE(S): Partial sales/use tax exemption (equal to 5%); 6% income tax credit (that may also be taken as sales/use tax credit)

PROPERTY COVERED: Partial Exemption - Tangible personal property primarily used in manufacturing, fabricating, processing, or refining; Credit - Tangible personal property under

IRC Section 1245(a)(3)(A) primarily used in manufacturing, fabricating, processing, or refining

CITATION(S): Partial Exemption - Cal. Rev. & Tax Code 6377; SBE Regs. 1525.2 and 1525.3; Credit - Cal. Rev. & Tax Code Sections 17053.49 and 23649; FTB Regs. 17053.49-0 through -11 and 23649-0 through -11

## **COLORADO**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 3%); 1% income tax credit

PROPERTY COVERED: Exemption - Machinery and equipment greater than \$500 for direct and predominant use in the state in manufacturing; repair and maintenance equipment excluded; Credit - qualified property under IRC Sections 38 and 46 located in the state

CITATION(S): Exemption - Colo. Rev. Stat. 39-26-114; Reg. 26-114.11; Credit - Colo. Rev. Stat. 39-22-507

## **CONNECTICUT**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 6%); Partial sales/use tax exemption (equal to 3%); 5% to 10% income tax credit

PROPERTY COVERED: Full Exemption - Machinery and tools used directly in industrial plant in the actual fabrication of finished products for sale; Partial Exemption - machinery and equipment primarily used in the process of manufacturing, processing, fabricating if it is used for R&D or to repair such property

CITATION(S): Full Exemption - Conn. Gen. Stat. 12-412; Partial Exemption - Conn. Gen. Stat. 12-412(180); Credit - Conn. Gen. Stat. 12-217

## **DELAWARE**

Fully exempts manufacturing machinery (because no tax is levied).

INCENTIVE(S): None; however, no sales or use tax is levied

PROPERTY COVERED: N/A

CITATION(S): N/A

## **FLORIDA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6%)

PROPERTY COVERED: New industrial machinery and equipment to be directly and exclusively used in manufacturing, processing, or production at Florida locations

CITATION(S): Fla. Stat. 212.08(5)(b)(c)

## **GEORGIA**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 4%); 1% to 8% income tax credit

PROPERTY COVERED: Full Exemption - Machinery and components used directly in the manufacture of tangible personal property, including replacement machinery; Credit - Property used to construct or expand a manufacturing facility

CITATION(S): Exemption - Ga. Code Ann. 48-8-3; Credit - Ga. Code Ann. 48-7-40.2 to 40.4

## **HAWAII**

Taxes manufacturing machinery (but gives a credit).

INCENTIVE(S): 4% excise tax credit (sales/use tax rate of 4%)

PROPERTY COVERED: Depreciable tangible property with a useful life of 3 years that is subject to excise tax

CITATION(S): Haw. Rev. Stat.

## **IDAHO**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 5%); 3% income tax credit

PROPERTY COVERED: Full Exemption - Machinery and equipment that is directly and primarily used in manufacturing, processing, fabricating operations where it is necessary or essential to the performance of operations; Credit - depreciable property under IRC Section 38 or

CITATION(S): Exemption - Idaho Code 63-3622D; Credit - Idaho Code 63-3029B

## **ILLINOIS**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 6.25%); 15% income tax credit

PROPERTY COVERED: Exemption - Machinery or equipment used directly in manufacturing or assembling tangible personal property for wholesale or resale; Credit - production-related property that does not qualify for the manufacturing machinery and equipment exemption

CITATION(S): Exemption - Ill. Rev. Stat. 105-3-15; Ill. Adm. Code 130.330; Credit - Ill. Rev. Stat. 5-201(e)

## **INDIANA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 5%)

PROPERTY COVERED: Machinery or equipment acquired for direct use in the direct production, manufacture, fabrication, assembly, extraction, processing, mining, or refining operations

CITATION(S): Ind. Code 6-2.5-5-3

## **IOWA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 5%)

PROPERTY COVERED: Industrial machinery, equipment and computers if they are depreciable assets that are used directly and primarily in manufacturing or processing operations, and is subject to tax; it includes equipment used in R&D, recycling, processing, and pollution control equipment

CITATION(S): Iowa Code 422.45

## **KANSAS**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 4.9%)

PROPERTY COVERED: Machinery and equipment used as an integral or essential part of manufacturing and processing tangible personal property

CITATION(S): Kan. Stat. Ann. 79-3606

## **KENTUCKY**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6%)

PROPERTY COVERED: Industrial machinery and equipment used in manufacturing and industrial processing; it must be used for new or expanded industries

CITATION(S): Ky. Rev. Stat. Ann. 139.470

## **LOUISIANA**

Taxes manufacturing machinery.

INCENTIVE(S): None (has a sales/use tax rate of 4%)

PROPERTY COVERED: N/A

CITATION(S): N/A

## **MAINE**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 6%); 1% income tax credit

PROPERTY COVERED: Exemption - Machinery and equipment used directly in manufacturing, and includes parts and attachments; Credit - machinery and equipment placed in service in the state

CITATION(S): Exemption - Me. Rev. Stat. Ann 1760; Credit - Me. Rev. Stat. Ann 5219-E

## **MARYLAND**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 5%); Sales/use tax credit (equal to 5%)

PROPERTY COVERED: Exemption - Machinery and equipment that is capitalized and depreciated, and used directly and predominantly in production at any stage in the manufacturing operation; Credit - tangible personal property used in the manufacturing process

CITATION(S): Exemption - Md. Code Ann. Tax-Gen 11-210; Credit - Md. Code Ann. Tax-Gen

## **MASSACHUSETTS**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 5%); 3% income tax credit

PROPERTY COVERED: Exemption - machinery and replacement parts used directly and exclusively in the actual manufacture, conversion, processing of tangible personal property in an industrial plant; Credit - depreciable real and tangible personal property under IRC Section 179 situated in the state

CITATION(S): Exemption - Mass. Gen. L. Ch. 64H; Credit - Mass. Gen. L. Ch. 63, Sec. 31A; Mass. Regs. Code Tit. 830, Sec. 58.2.1

## **MICHIGAN**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6%)

PROPERTY COVERED: Property directly used in manufacturing, processing, assembling, or refining a product for sale; includes farming and agriculture machinery and pollution control devices

CITATION(S): Mich. Comp. Law 205.54

## **MINNESOTA**

Partially exempts manufacturing machinery.

INCENTIVE(S): Partial sales/use tax exemption (tax rate reduced to 2% from 6.5%)

PROPERTY COVERED: Machinery and equipment used directly in producing a direct effect upon the product; includes consumable parts and accessories, as well as special tooling

CITATION(S): Minn. Stat. 297A.01/02

## **MISSISSIPPI**

Partially exempts manufacturing machinery.

INCENTIVE(S): Partial sales/use tax exemption (tax rate reduced to 1.5% from 7%)

PROPERTY COVERED: Machinery and tools and their replacement parts use exclusively and directly in manufacturing or custom processing; it includes machine parts and component parts

CITATION(S): Miss. Code Ann. 27-65-117

## **MISSOURI**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 4.225%)

PROPERTY COVERED: Machinery and equipment used to replace items because of design or product changes and used in manufacturing or fabricating; or which is used to establish new or expanding existing manufacturing plants if the property is used directly in manufacturing new products intended to be sold for final use and consumption

CITATION(S): Mo. Rev. Stat. 144.030.2

## **MONTANA**

Fully exempts manufacturing machinery (because no tax is levied).

INCENTIVE(S): None, but no sales or use tax is levied

PROPERTY COVERED: N/A

CITATION(S): N/A

## **NEBRASKA**

Taxes manufacturing machinery.

INCENTIVE(S): None (with sales/use tax rate of 5%)

PROPERTY COVERED: N/A

CITATION(S): Neb. Regs. 1-023

## **NEVADA**

Taxes manufacturing machinery.

INCENTIVE(S): No income tax levied (sales/use tax rate of 6.5%)

PROPERTY COVERED: N/A

CITATION(S): N/A

## **NEW HAMPSHIRE**

Fully exempts manufacturing machinery (because no tax is levied) (and gives a credit).

INCENTIVE(S): 10% income tax credit; No sales or use tax is levied

PROPERTY COVERED: Tangible personal property situated in state, and subject to depreciation under IRC Sec. 167, that is used as an integral part of manufacturing, production or extraction

CITATION(S): N.H. Rev. Stat. Ann. 77-A:5(VII)



## **NEW JERSEY**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 6%); 2% income tax credit

PROPERTY COVERED: Exemption - machinery and equipment used directly and primarily in production of tangible personal property by manufacturing, processing, assembling, or refining; Credit - manufacturing equipment with a normal useful life of 4 years

CITATION(S): Exemption - N.J. Rev. Stat. 54:32B-8.132; Credit - N.J. Rev. Stat. 54:10A-5:15

## **NEW MEXICO**

Taxes manufacturing machinery (but gives a credit).

INCENTIVE(S): 5% income tax credit (which is equal to the 5% sales/use tax rate)

PROPERTY COVERED: Machinery and equipment used directly and exclusively in a manufacturing operation in the state to locate or enlarge operations; property must be subject to depreciation

CITATION(S): N.M. Stat. Ann. 7-9A-1 to 7-9A-9; N.M. Regs. Sec. 6:1 to 6:3

## **NEW YORK**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 4%); 5% income tax credit

PROPERTY COVERED: Exemption - machinery, equipment, parts, and tools used directly and predominantly in manufacturing, processing, generating, assembling tangible personal property; Credit - depreciable tangible personal property with at least a 4-year useful life

CITATION(S): Exemption - N.Y. Tax L. 1115; N.Y. Regs. 531.2; Credit - N.Y. Tax L. 210(12); N.Y. Regs. 5-2.4

## **NORTH CAROLINA**

Partially exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Partial sales/use tax exemption (tax rate lowered to 1% from 4%); 4.5% income tax credit

PROPERTY COVERED: Partial Exemption - Machinery, parts and accessories used directly in manufacturing plants for production or in research and development; Credit - Depreciable machinery and equipment under IRC Section 179

CITATION(S): Partial Exemption - N.C. Gen. Stat. 105-164.4; Credit - N.C. Gen. Stat.

## **NORTH DAKOTA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 5%)

PROPERTY COVERED: Machinery and equipment used directly in the manufacturing of tangible personal property, and used in a new manufacturing plant or in physical or economic expansion of an existing manufacturing plant

CITATION(S): N.D. Cent. Code 57-39.2-04.3

## **OHIO**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 5%); 20% income tax credit

PROPERTY COVERED: Exemption - "Things transferred" that are used primarily in manufacturing operations to produce tangible personal property for sale; Credit - new manufacturing or refining machinery and equipment used in such operations

CITATION(S): Exemption - Ohio Rev. Code Ann. 5739.011; Credit - Ohio Rev. Code Ann. 5733.31

## **OKLAHOMA**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 4.5%); 1% income tax credit

PROPERTY COVERED: Exemption - Machinery and equipment purchased, or equipment built on-site and used in manufacturing plants already operating in the state; the machinery and equipment must be incorporated into and used directly in manufacturing operations; Credit - depreciable property used in manufacturing or processing

CITATION(S): Exemption - Okla. Stat. 1359; Okla. Regs. 710:65-13-150; Credit - Okla. Stat. 2357.4

## **OREGON**

Fully exempts manufacturing machinery (because no tax is levied).

INCENTIVE(S): None, but no sales/use tax is levied

PROPERTY COVERED: N/A

CITATION(S): N/A

## **PENNSYLVANIA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6%)

PROPERTY COVERED: Tangible personal property used directly and exclusively in manufacturing or processing

CITATION(S): Pa. Regs. 32.32

## **RHODE ISLAND**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 7%); 4% income tax credit

PROPERTY COVERED: Exemption - Machinery and equipment directly consumed in the process of manufacturing or processing of tangible personal property for sale, including computer software; Credit - tangible property principally used in manufacturing, processing, or assembling

CITATION(S): Exemption - R.I. Gen. Laws 44-18-30; R.I. Regs. SU 91-58 and SU 97-58; Credit - R.I. Gen. Laws 44-31-1

## **SOUTH CAROLINA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 5%)

PROPERTY COVERED: Machines directly and substantially used in manufacturing, processing, compounding, mining, or quarrying tangible personal property for sale, including all parts and attachments

CITATION(S): S.C. Code Ann. 12-36-2120(17)

## **SOUTH DAKOTA**

Taxes manufacturing machinery.

INCENTIVE(S): None; sales/use tax rate of 4%

PROPERTY COVERED: N/A

CITATION(S): S.D. Codified Laws 64:06:03:23

## **TENNESSEE**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 6%); 1% income tax credit  
PROPERTY COVERED: Exemption - Industrial machinery which is necessary to and primarily used for the fabrication of tangible personal property; Credit -  
CITATION(S): Exemption - Tenn. Code Ann. 67-6-206; Credit - Tenn. Code Ann. 67-4-808

## **TEXAS**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6.25%; No income tax levied  
PROPERTY COVERED: Machinery, equipment, replacement parts, and accessories that are necessarily used in the actual manufacturing, processing, fabricating, or repair of tangible personal property  
CITATION(S): Tex. Tax Code Ann. 151.318

## **UTAH**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (sales/use tax rate of 4.875%)  
PROPERTY COVERED: Machinery and equipment used in new or expanding operations used predominately in the manufacture of tangible personal property; replacement parts also qualify; must have at least a 3-year useful life  
CITATION(S): Utah Code An. 59-12-104; Utah Admin. R. 865-19S-85

## **VERMONT**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 5%)  
PROPERTY COVERED: Machinery and equipment used directly and exclusively in the manufacturing of tangible personal property  
CITATION(S): Vt. Stat. Ann. 9741(14)

## **VIRGINIA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 3.5%)  
PROPERTY COVERED: Machinery and equipment, tools, and repair parts that are used directly in processing, manufacturing, refining, mining, or converting products for sale

CITATION(S): Va. Code Ann. 5801-609.3

## **WASHINGTON**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6.5%); No income tax levied

PROPERTY COVERED: Machinery and equipment used directly in a manufacturing operation and for service charges for installing such property; machinery must have a useful life of one year or longer

CITATION(S): Wash. Rev. Code 82.08

## **WEST VIRGINIA**

Fully exempts manufacturing machinery.

INCENTIVE(S): Full sales/use tax exemption (equal to 6%)

PROPERTY COVERED: Machinery and equipment used directly and exclusively in manufacturing

CITATION(S): W.Va. Code Ann. 11-15-9

## **WISCONSIN**

Fully exempts manufacturing machinery (and gives a credit).

INCENTIVE(S): Full sales/use tax exemption (equal to 5%); 5% income tax credit (equal to the sales or use tax paid)

PROPERTY COVERED: Exemption - Machinery and equipment that is used by a manufacturer exclusively and directly in manufacturing tangible personal property; Credit - Fuel and electricity consumed in the process of manufacturing tangible personal property

CITATION(S): Exemption - Wis. Stat. 77.54(6); Credit - Wis. Stat. 71.28(3) and 7.54(6m)

## **WYOMING**

Taxes manufacturing machinery.

INCENTIVE(S): No income tax levied; (Sales/use tax rate of 4%)

PROPERTY COVERED: N/A

CITATION(S): N/A

Manucomp.doc  
1/16/02